

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

LITTLE GENIE PRODUCTIONS
LLC, a Washington limited liability
corporation,

Plaintiff,

v.

PHSI INC., an Arizona corporation
dba PHS INTERNATIONAL, and
JAMES H. HORNE and JANE DOE
HORNE, individually and their
marital community

Defendants.

Civil Action No. 2:12-cv-00357-RSM

ORDER ON MOTION FOR
DEFAULT JUDGMENT

THIS MATTER comes before the Court on Plaintiff's Motion for Default Judgment. Dkt. # 21. On September 9, 2013, the Court issued an Order setting an evidentiary hearing on the instant Motion (Dkt. # 22), which has been continued on successive occasions due to the unavailability and illness of Plaintiff's counsel. The hearing took place on May 13, 2014, at which time the Court ordered counsel for Plaintiff to file supplemental briefing in support of Plaintiff's damages and request for relief and to provide documentation supporting its request for attorney's fees. Having considered Plaintiff's briefing, arguments before the Court, and the

1 remainder of the record, and for the reasons stated herein, the Court grants Plaintiff's Motion for
2 Default Judgment in part as follows.

3 **Factual and Procedural Background**

4 The instant matter arises out of alleged infringement of the intellectual property rights of
5 Plaintiff Little Genie Productions LLC ("Little Genie") to its romance board game, "Passion
6 Throw," by Defendants PHSI, Inc. ("PHSI") and its president James Horne ("Horne"). Plaintiff
7 seeks a default judgment of \$104,269 in actual damages for copyright infringement of Passion
8 Throw by PHSI, together with post-judgment interest, injunctive relief, and attorney's fees. *See*
9 Dkt. ## 22, 29.

10 For over a decade, Little Genie has designed, produced, and sold "Passion Throw," as its
11 sole owner of copyright, trademark, and trade dress rights. Dkt. # 1 ("Compl."), ¶¶ 8-9. Little
12 Genie registered its copyright to Passion Throw (Registration No. VA 1-776-386) with the
13 United States Copyright Office on June 3, 2011. *See id.* at ¶ 9. PHSI is Little Genie's competitor
14 and a former customer, having procured Little Genie products for resale in 2005. Dkt. # 21, Ex.
15 1, ¶ 4. In early 2011, Little Genie discovered that PHSI was marketing and selling a nearly
16 identical romance board game under its "Heart 2 Heart" line, using the names "Heart 2 Heart
17 Game" and "Playground Game." *Id.* at ¶ 5; Dkt. # 21, Ex. 2. On three occasions in 2011, Little
18 Genie directed correspondence to PHSI and Horne, demanding that they cease and desist their
19 infringing activities. Dkt. # 21, Ex. 1, ¶ 5. Defendants allegedly ignored these demands,
20 continuing to buy and sell the infringing game. *Id.* at ¶ 8.

21 On March 1, 2012, Little Genie filed the instant complaint against Defendants PHSI and
22 Horne, alleging copyright infringement under the Copyright Act, 17 U.S.C. § 101 et seq, unfair
23 competition under the Lanham Act, 15 U.S.C. § 1151, and unfair competition under Washington
24 common law. The complaint asserts that Defendants "deliberately and willfully infringed Little
Genie's intellectual property rights" by copying Passion Throw and by "marketing and selling a
virtually identical replica nationally and internationally under PHSI's 'Heart 2 Heart' line."
Compl. at ¶ 10. Little Genie asserts that Defendants were aware of Passion Throw and have
continued to sell their infringing game after receiving notice of infringement. *Id.* at ¶ 13.

Although Defendant Horne has successfully evaded service, summons and complaint
were served on PHSI on March 12, 2012. PHSI failed to answer, and default was entered against

1 it on April 20, 2012. Dkt. # 7. Plaintiff filed the instant Motion for Default Judgment against
2 PHSI over a year later, on July 3, 2013. Dkt. # 21. Little Genie originally sought an award of
3 statutory damages of no less than \$150,000, the maximum enhanced damages available under the
4 Copyright Act, 17 U.S.C. § 504(c)(1), as well as additional awards under the Lanham Act, 15
5 U.S.C. § 1051, *et seq.*, at the Court's discretion. Plaintiff also requested permanent injunctive
6 relief to prevent further infringements under the Copyright and Lanham Acts, as well as the
7 delivery of all PHSI games in Defendants' possession, custody, or control to Little Genie "for
8 destruction," pursuant to 15 U.S.C. § 1116(d)(1)(A) of the Lanham Act. Under 15 U.S.C. §
9 1117(a) of the Lanham Act. Plaintiff further requested attorney's fees based on PHSI's alleged
10 willful infringement and default in the amount of \$30,000 for 106 hours of work completed by
11 counsel Jason Rhodes and associates. *See* Dkt. # 21. On September 9, 2013, the Court issued an
12 Order setting an evidentiary hearing on Plaintiff's Motion upon finding that Plaintiff had failed
13 (1) to offer evidence sufficient to support the requested statutory damages, (2) to submit
14 evidence as to actual damages, and (3) to present evidence to substantiate the amount and
15 reasonableness of its requested \$30,000 in attorney's fees. Dkt. # 22.

16 Upon Plaintiff's request, the Court continued the evidentiary hearing on successive
17 occasions, first to accommodate Plaintiff's discovery needs and subsequently to accommodate
18 the severe health impairment suffered by Plaintiff's former counsel, Jason Rhodes. *See, e.g.*, Dkt.
19 # 27. Mr. Rhodes was ultimately replaced, with permission of the Court, by current counsel John
20 Ray Nelson, who represented Little Genie at the evidentiary hearing, held on May 13, 2014. *See*
21 Dkt. # 28. Through the evidentiary hearing and its Supplemental Memorandum in Support of
22 Damages and Request for Relief, Plaintiff modified its damages request to seek an award of
23 actual, rather than statutory, damages pursuant to 17 U.S.C. § 504(b). *See* Dkt. # 29. Plaintiff
24 further requested an additional award of attorney's fees under the Lanham Act, 15 U.S.C. §
1117(a), in the amount of \$7,281 for 18.20 hours of work completed by counsel John Ray
Nelson. *See* Dkt. #21, Ex. 3; Dkt. # 29. Plaintiff provided evidence at the hearing to support its
claim for actual damages, composed of lost copyright development costs, past lost profits, and
future lost profits, as well as evidence to support its attorney's fees request. At the close of the
evidentiary hearing, the Court requested additional briefing by Little Genie regarding its
authority to award actual damages prior to the time of copyright registration, which Little Genie
has provided. *See* Dkt. # 29.

Discussion

a) Legal Standards for Default Judgment

The Federal Rules of Civil Procedure authorize the district court to enter default judgment against a party that has failed to plead or defend after entry of that party's default by the clerk. Fed. R. Civ. P. 55(b). The entry of default judgment is left to the sound discretion of the district court. *Aldabe v. Aldabe*, 616 F.2d 1089, 1092 (9th Cir. 1980). In determining whether to enter default judgment, the court considers seven factors (the "Eitel Factors"), which include: (1) the possibility of prejudice to the plaintiff, (2) the merits of the plaintiff's claims, (3) the sufficiency of the complaint, (4) the sum of money at stake, (5) the possibility of a dispute concerning material facts; (6) whether the default was due to excusable neglect, and (7) the strong policy under the Federal Rules favoring decision on the merits. *Eitel v. McCool*, 782 F.2d 1470, 1471-72 (9th Cir. 1986).

At the default judgment stage, well-pleaded factual allegations are considered admitted and are sufficient to establish a defendant's liability, but allegations regarding the amount of damages must be proven. *Geddes v. United Fin. Group*, 559 F.2d 557, 560 (9th Cir. 1977); *Microsoft Corp. v. Lopez*, 2009 WL 959219 (W.D. Wash. 2009). Unless the plaintiff's claim is for a "sum certain," the party "must apply to the court for default judgment." Fed. R. Civ. P. 55(b)(2). The plaintiff must support the motion with a declaration and other evidence establishing entitlement to the relief sought. LCR 55(b)(2)(A). The court must ensure that the amount of damages is reasonable and demonstrated by the evidence. *See* Fed. R. Civ. P. 55(b); *Getty Images (US), Inc. v. Virtual Clinics*, 2014 WL 358412 (W.D. Wash. 2014). In doing so, the court may conduct such hearings as it deems necessary in order to determine the amount of damages or establish the truth of any allegation by evidence. Fed. R. Civ. P. 55(b)(2); LCR 55(b)(4). A default judgment must not differ in kind from, or exceed in amount, what is demanded in the pleadings. Fed. R. Civ. P. 54(c). In addition, a plaintiff seeking attorney's fees must state the basis of the award and include a declaration from counsel establishing the reasonable amount of fees, including hourly rate, hours worked, and tasks performed. LCR 55(b)(2)(C).

1 **b) Liability**

2 Entry of default judgment is warranted in this case and supported by application of the
 3 *Eitel* factors. As to the first factor, “prejudice” for purposes of default judgment exists where the
 4 plaintiff has no “recourse for recovery” other than default judgment. *Microsoft Corp. v. Lopez*,
 5 2009 WL 959219, at *2 (W.D. Wash. 2009); *Getty Images*, 2014 WL 358412, at *2. Accepting
 6 Plaintiff’s well-pleaded factual allegations as true, Little Genie is likely to suffer prejudice if
 7 default judgment is not entered because Little Genie would be without other recourse for
 8 recovery. Plaintiff’s cease and desist letters have had no effect, and absent default judgment,
 9 Little Genie would be forced to wait, perhaps indefinitely, for PHSI to participate in this
 10 litigation. In the meantime, Little Genie attests that it will continue to suffer irreparable harm by
 11 PHSI’s infringing activities, including through loss of goodwill and reputation and through
 12 confusion of its customers. *See* Compl.

13 To satisfy the second and third *Eitel* factors – the merits of the plaintiff’s claims and the
 14 sufficiency of its complaint – the plaintiff must state a claim for relief on which it may recover.
 15 *Danning v. Lavine*, 572 F.2d 1386, 1388 (9th Cir. 1978). In assessing the sufficiency of
 16 plaintiff’s claims, the court looks to the liberal pleadings standards embodied in Federal Rule of
 17 Civil Procedure 8, according to which “a complaint should not be dismissed for insufficiency
 18 unless it appears to a certainty that plaintiff is entitled to no relief under any state of facts which
 19 could be proved in support of the claim.” *Id.* at 1388-89 (quoting 2A Moore’s Federal Practice P.
 20 12.08 at 2271-74 (2d ed. 1975)).

21 Here, Little Genie has adequately pled its substantive claims for copyright infringement.
 22 A prima facie case of copyright infringement requires (1) ownership of a valid copyright and (2)
 23 a violation of at least one exclusive right granted to copyright holders under 17 U.S.C. § 106. *See*
 24 *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 (9th Cir. 2001). As the exclusive
 owner of the copyright to Passion Throw, Little Genie is entitled to institute an action for
 infringement of that right. *See* 17 U.S.C. § 501(b). Little Genie has alleged through plausible
 facts in its complaint that PHSI violated the Copyright Act by knowingly reproducing,
 marketing, and distributing works that were identical to and derivative of Passion Throw. Compl.
 ¶ 15.

1 Little Genie has also adequately pled its claim of unfair competition in violation of the
 2 Lanham Act, 15 U.S.C. § 1125(a). Section 43(a) of the Lanham Act prohibits using in commerce
 in connection with goods or services

3 “any word, term, name, symbol or device, or any combination thereof, or any false
 4 designation of origin, false or misleading description of fact, or false or misleading
 5 representation of fact, which... (a) is likely to cause confusion, or to cause mistake, or to
 6 deceive as to the affiliation, connection, or association of such person with another person, or
 7 as to the origin, sponsorship, or approval of his or her goods, service, or commercial
 activities by another person, or (b) in commercial advertising or promotion, misrepresents the
 nature, characteristics, qualities, or geographic origin of his or her or another person’s goods,
 services, or commercial activities

8 To prevail on an unfair competition claim in violation of section 43(a) of the Lanham Act, a
 9 plaintiff must show that it has a valid, enforceable mark entitled to protection under the Act, and
 10 that the defendant’s use of the mark creates a likelihood of confusion. *Brookfield Commc’ns, Inc.*
 11 *v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1046 (9th Cir. 1999); 15 U.S.C. § 1125(a)(1). Where
 12 no trademark has been registered, the plaintiff bears the burden of proof as to the validity and
 protection of the unregistered marks. *Yellow cab of Sacramento v. Yellow Cab of Elk Grove, Inc.*,
 419 F.3d 925, 927 (9th Cir. 2005). “[T]he standard test of ownership is priority of use.” *Sengoku*
 13 *Works Ltd. v. RMC Int’l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir. 1996). In other words, “the party
 14 claiming ownership must have been the first to actually use the mark in the sale of goods or
 services.” *Id.*

15 In the instant case, the factual allegations in Little Genie’s complaint establish that it has
 16 valid and protectable rights in Marks associated with the Little Genie game, which it acquired
 17 through putting these Marks to the first commercial use in 2001. *See Compl.*, ¶¶ 8, 23. It has
 18 further sufficiently pled that PHSI used these Marks through sale of virtually identical Heart 2
 19 Heart and Playground games to the same suppliers in a way that was likely to and has caused
 20 confusion to customers as to the ownership, sponsorship, and approval of the games. *Id.* at ¶¶ 25,
 21 26, 28, 29. *See GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199 (9th Cir. 2000) (providing an
 22 eight-factor test for analyzing the likelihood of confusion, including (1) the similarity of the
 23 marks, (2) the relatedness of the two companies’ services, and (3) the marketing channels used.).
 During the evidentiary hearing and with the instant Motion, Little Genie substantiated its
 24 allegations with evidence of its use of the Marks in interstate commerce, and of PHSI’s
 infringement through use in commerce of nearly identical replicas. *See, e.g.*, Hearing Exs. 1, 4,

1 8; Dkt. # 21, Ex. B. Furthermore, as PHSI has admitted these allegations through default, the
2 Court takes them as true and finds that Little Genie has adequately pled its Lanham Act claim.

3 As to the fourth *Eitel* factor - the sum of money at stake - the court considers the amount
4 of money requested in relation to the seriousness of the defendant's conduct. *Getty Images*, 2014
5 WL 358412 at * 4. Here, Little Genie has requested an award of actual damages in the amount of
6 \$104,269. While a substantial request, the Court restricts its award for the reasons stated below
7 to past lost profits and development costs, and it finds that the resulting sum of \$53,169 favors
8 granting default judgment. Such a request is supported by the severe harm that PHSI has caused
9 to Little Genie, suppressing entirely its sales of Passion Throw from 2009. *See* Hearing Ex. 4.

10 As to the remaining *Eitel* factors, the Court finds that it is unlikely that a dispute
11 concerning material facts would arise and that there is no indication that entry of default
12 judgment is due to excusable neglect. When default is entered, there is no longer the possibility
13 of a dispute concerning material facts because the court must take the plaintiff's factual
14 allegations as true. *See Getty Images*, 2014 WL 358412 at * 4; *Microsoft*, 2009 WL 959219 at
15 *3. Further, PHSI has failed to participate in any way in this action since Little Genie filed its
16 complaint in March 2012. There is no indication that PHSI was unaware of Little Genie's
17 motions for entry of default or for default judgment, and no indication that PHSI's failure to
18 respond has been due to mistake or inadvertence.

19 The seventh factor, which considers whether default judgment is appropriate in light of
20 the policy favoring decisions on the merits, "almost always disfavors the entry of default
21 judgment" but is not dispositive. *Vawter v. Quality Loan Serv. Corp. of Wash.*, 2011 WL
22 1584424, at +6 (W.D. Wash. 2011); *Getty Images*, 2014 WL 358412 at * 5. While this factor
23 thus weighs against default judgment, it does not alter the Court's conclusion that default
24 judgment is warranted in light of the overwhelming support that the other six factors provide.

20 c) Damages

21 Little Genie has amended its damages request from one for maximum statutory damages
22 to an award of \$104,269 in actual damages for PHSI's infringement of its copyright in Passion
23
24

1 Throw under 17 U.S.C. § 504(b).¹ The Copyright Act allows a plaintiff to elect to recover either
 2 actual or statutory damages. 17 U.S.C. §§ 504(a)-(c). The plaintiff's choice of recovery is
 3 nonetheless limited by 17 U.S.C. § 412(2), which provides that statutory damages are only
 4 available where the copyrighted work was registered prior to commencement of the
 5 infringement, unless the registration is made within three months after the first publication of the
 6 work. *See Derek Andrew, Inc. v. Poof Apparel Corp.*, 528 F.3d 696, 699 (9th Cir. 2008). As
 7 PHSI's infringing activities commenced prior to Little Genie's 2011 registration of its copyright
 8 to Passion Throw, statutory damages are unavailable, and Little Genie has properly elected to
 9 pursue actual damages under 17 U.S.C. § 504(b). *See* Dkt. # 29.

10 An award of damages under 17 U.S.C. § 504(b) has two components, consisting of "the
 11 actual damages suffered by [the copyright owner] as a result of the infringement, and any profits
 12 of the infringer that are attributable to the infringement and are not taken into account in
 13 computing the actual damages." 17 U.S.C. § 504(b); *Polar Bear Prods., Inc. v. Timex Corp.*, 384
 14 F.3d 700, 707-08 (9th Cir. 2004) (explaining that these two monetary "remedies are two sides of
 15 the damages coin – the copyright holder's losses and the infringer's gains."). With respect to the
 16 first of these components, the measure of recovery is "usually determined by the loss in the fair
 17 market value of the copyright, measured by the profits lost due to the infringement or by the
 18 value of the use of the copyrighted material to the infringer." *Id.* at 708 (internal quotation
 19 omitted); *see also Fitzgerald Publ'g Co., Inc. v. Baylor Publ'g Co., Inc.*, 807 F.2d 1110, 1118
 20 (2d Cir. 1986). Lost profits can be either direct or indirect, i.e. "revenue that has a more
 21 attenuated nexus to the infringement." *Polar Bear Prods.*, 384 F.3d at 710 (quoting *Mackie v.*
 22 *Reiser*, 296 F.3d 909, 914 (9th Cir. 2002)). A plaintiff seeking an award under § 504(b) must
 23 establish a causal link between the infringement and the monetary remedy sought. *Id.* at 708. A
 24 court will deny recovery where "an infringer's profits are only remotely or speculatively
 attributable to infringement." *Id.* at 711

Little Genie premises its damages claim entirely on evidence of its own losses and has
 not moved for disgorgement of additional unmerited gains by PHSI. In its request for actual
 damages, Little Genie seeks an award of \$10,000 in lost copyright development costs, \$43,169 in

¹ Although an award of damages under both the Copyright Act and Lanham Act may be available, *see Nintendo of America, Inc. v. Dragon Pacific Intern.*, 40 F.3d 1007, 1011 (9th Cir. 1994), Plaintiff has neither stated the basis nor provided evidentiary support for a damages award under the Lanham Act, 15 U.S.C. § 1117. Accordingly, the Court declines to award any additional damages under the Lanham Act.

1 past lost profits due to the infringement, and \$51,100 in future lost profits. Little Genie has
2 submitted evidence sufficient to prove that its sales of Passion Throw ceased entirely from late
3 2009 as a result of the infringement. *See* Hearing Ex. 4. As its copyright in Passion Throw has
4 thereby lost its entire fair market value, the Court finds that an award of the \$10,000 in product
5 development costs is appropriate to compensate Little Genie for losses. In support of its request
6 for past lost profits, Little Genie has provided evidence of its average annual sales of Passion
7 Throw units prior to infringement. *See* Hearing Ex. 1. Little Genie estimates that for each year
8 between 2009 and 2014, but for PHSI's infringement, it would have sold approximately half this
9 number of units, accounting for the estimated drop in sales attributable to the recession, as
10 garnered from the impact on sales of Little Genie's similar products. *See* Hearing Exs. 1-4.
11 Multiplying the expected per game profit of \$5.11 by expected annual sales for 2009 through
12 2014, Little Genie estimates that it has sustained \$43,169 in past lost profits. The Court finds this
13 amount to be supported by the evidence and appropriate compensation for PHSI's infringement.

14 By contrast, the Court finds Little Genie's request for future lost profits to be overly
15 speculative and insufficiently unsupported by the evidence. Little Genie requests an award of
16 \$5,110 per year for ten years into the future. Actual damages do not ordinarily include future
17 losses. *See Cotter v. Christus Gardens, Inc.*, 238 F.3d 420, *3 (6th Cir. 2000). In those rare cases
18 in which courts have awarded future losses, they have required specific evidence to support the
19 causal nexus between the infringing activities and future losses, including clear evidence of lost
20 customers or contracts and expected diminution in value of the copyright. *See, e.g., Mary Ellen*
21 *Enters. v. Camex, Inc.*, 68 F.3d 1065, 1070 (8th Cir. 1995). Otherwise, courts will reject a
22 request for future losses as speculative. *See Cohen v. U.S.*, 100 Fed Cl. 461, 483 (2011)
23 (refusing to award future losses where plaintiff simply relied on deposition testimony stating that
24 damages would be ongoing even after defendant removed the allegedly infringing material);
Cotter v. Christus Gardens, Inc., 2000 WL 1871698, at **3-4 (5th Cir. 2000) (finding that
plaintiff was not entitled to future losses because he did not show a legal entitlement to any
future contracts for his copyrighted work); *Abeshouse v. Ultragraphics, Inc.*, 754 F.2d 467, 471
(2d Cir. 1985) (deeming future losses "too speculative" where plaintiffs failed to "make any
effort to assess the marketability of their copyright" following the period of infringement);
Baldwin Cooke Co. v. Keith Clark, Inc., 420 F.Supp. 404, 408 (N.D. Ill. 1976) (finding an award
of future losses overly speculative). Here, Little Genie merely asserts that its product would have

1 remained in distributors' catalogues and in the market for years into the future but for PHSI's
2 infringement, without providing any evidence of Passion Throw's future marketability. To the
3 contrary, Little Genie's president himself testified that the expected life of a product like Passion
4 Throw would be 7 to 10 years. As Passion Throw went to market in 2004, this testimony directly
5 undercuts any expectation of sales beyond 2014. Moreover, Little Genie has failed to provide
6 any specific evidence of expected lost contracts or customers in the future, and derives out of
7 whole cloth its estimate of 1,000 sales of Passion Throw for each of the next ten years, despite
8 the admitted diminishing popularity of the game over time. Accordingly, the Court declines to
9 award Little Genie's request for lost future profits.

10 Little Genie further requests an award of prejudgment interest on the judgment at the
11 federal rate. *See* Dkt. # 29, p. 3. The Ninth Circuit has determined that prejudgment interest is
12 available under § 504(b) of the Copyright Act in order "to discourage needless delay and
13 compensate the copyright holder for the time it is deprived of lost profits or license fees." *Polar*
14 *Bear Prods.*, 384 F.3d at 718. Prejudgment is "uniquely tailored" to compensate the copyright
15 holder for "harm caused by delay in making reparations." *Id.* It "serves to compensate for the
16 loss of use of money due as damages from the time the claim accrues until judgment is entered,
17 thereby achieving full compensation for the injury those damages are intended to redress." *West*
18 *Virginia v. United States*, 479 U.S. 305, 310 n. 2 (1987). The accrual of a cause of action occurs
19 when "each of its component elements has come into being as a matter of objective reality, such
20 that an attorney with knowledge of all the facts could get it past a motion to dismiss for failure to
21 state a claim." *William A. Graham v. Haughey*, 646 F.3d 138, 150 (3d Cir. 2011). An appropriate
22 accrual date may thus be the date where the infringement began. *Id.*; *see also TMTV, Corp. v.*
23 *Mass Productions, Inc.*, 645 F.3d 464, 474 (1st Cir. 2011) ("Prejudgment interest dating from the
24 infringements compensated the plaintiff for the time value of monies it should have had—just as
if a contract debt had not been paid on time.").

20 The Court finds that Little Genie is entitled to prejudgment interest on its damages award
21 at the statutory rate provided by 28 U.S.C. § 1961. However, Little Genie has failed to plead or
22 provide evidence substantiating the date on which its claim accrued. The Court consequently
23 defers an award of prejudgment interest and instructs Little Genie to file a motion setting out the
24 reasonable accrual date for its claim if it wishes to pursue this award.

1 **d) Injunctive Relief**

2 Little Genie further requests a permanent injunction prohibiting Defendant PHSI from
 3 any further manufacture, sale, or distribution of the infringing romance games “Playground” or
 4 “Heart 2 Heart” and directing PHSI to deliver all such games and marketing materials for
 5 destruction. The Copyright Act authorizes a court to “grant temporary and final injunctions on
 6 such terms as it may deem reasonable to prevent or restrain infringement of a copyright.” 17
 7 U.S.C. § 502(a). “An injunction should issue only where the intervention of a court of equity ‘is
 8 essential in order effectually to protect property rights against injuries otherwise irreparable.’”
 9 *Winberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) (quoting *Cavanugh v. Looney*, 248 U.S.
 10 453, 456 (1919)). The Court applies the traditional four-factor test for granting a permanent
 11 injunction under the Copyright Act. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391
 12 (2006). The plaintiff must accordingly demonstrate: “(1) that it has suffered an irreparable injury;
 (2) that remedies available at law, such as monetary damages, are inadequate to compensate for
 that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a
 remedy in equity is warranted; and (4) that the public interest would not be disserved by a
 permanent injunction.” *Id.*; see also *Getty Images*, 2014 WL 358412, at *8.

13 The Court finds that the four-factor test supports granting permanent injunctive relief and
 14 that Little Genie’s proposed permanent injunction is narrowly tailored to prevent continued
 15 infringement of its copyright. As to the first factor, irreparable harm may be shown through
 16 evidence of the loss of prospective customers, goodwill, or reputation. See *Stuhlbarg Intern.*
 17 *Sales Co., Inc. v. John D. Brush & Co., Inc.*, 240 F.3d 832, 841 (9th Cir. 2001); *Getty Images*,
 18 2014 WL 358412 at *8. Little Genie has suffered irreparable harm in this case through the loss of
 19 all of its customers for Passion Throw since 2009 as a consequence of PHSI’s infringement, and
 20 through the loss of its reputation and goodwill. See *Compl.* at ¶ 29. For the second factor, the
 21 plaintiff must show that “remedies available at law, such as monetary damages, are inadequate to
 22 compensate for the injury.” *eBay*, 547 U.S. at 391. Little Genie has sufficiently demonstrated
 23 that monetary damages are inadequate to compensate for PHSI’s infringement. PHSI’s failure to
 24 cease and desist in response to Little Genie’s multiple letters and its failure to defend in this case
 suggests that it is likely that PHSI will continue infringing in the future if injunctive relief does
 not issue. As to the third factor, the balance of hardships clearly favors Little Genie, which
 stands to lose the entire fair market value of its copyright as a consequence of PHSI’s illegitimate

1 infringement. PHSI President James Horne informed counsel for Little Genie via facsimile on
 2 December 11, 2012 that “all sales and marketing stopped in 2010” and that “there is [*sic*] no
 3 more stock or sales materials.” *See* Hearing Ex. 18. However, subpoenaed records from the
 4 distributor Entrenue show sales of Playground and Heart 2 Heart games continuing through
 5 February 23, 2012. *See* Hearing Ex. 8. Nonetheless, should PHSI have in fact discontinued its
 6 infringing sales and terminated its stock of infringing games, the injunction will be entirely
 7 without burden to PHSI. Finally, injunctive relief serves the public interest by protecting the
 8 rights of copyright holders against infringement and securing the integrity of Little Genie’s
 9 registered copyright. *See Perfect 10 v. Amazon.com, Inc.*, 487 F.3d 701 (9th Cir. 2001).

10 As to the scope of the Little Genie’s proposed injunction, the Court finds that it is
 11 narrowly tailored to prevent PHSI from continuing to infringe Little Genie’s copyright in Passion
 12 Throw through the sale or distribution of the infringing romance board games that are the subject
 13 of this action. The Court further finds that it is appropriate to order PHSI to deliver all remaining
 14 copies of the infringing games for destruction to the Sheriff in the county in which PHSI is
 15 situated. Such relief is authorized by 17 U.S.C. § 503(b).

16 **e) Attorneys’ Fees**

17 Little Genie further seeks an award of attorney’s fees on its claim for unfair competition
 18 and false designation of origin under the Lanham Act. Pursuant to 15 U.S.C. § 1117(a)(3), the
 19 court may award attorney’s fees to the prevailing party in an action for trademark infringement
 20 “in exceptional cases.” An exceptional case exists “where the acts of infringement can be
 21 characterized as malicious, fraudulent, deliberate, or willful.” *Derek Andrew*, 529 F.3d at 702
 22 (quoting *Rio Props, Inc. v. Rio Int’l Interlink*, 284 F.3d 1007, 1023 (9th Cir. 2002)). Upon
 23 default judgment, the Court takes as true all factual allegations in the complaint, including those
 24 for willful infringement of trademarks. *Id.* As Little Genie has pled willful infringement in its
 complaint, PHSI’s default establishes its entitlement to attorney’s fees for its claim brought
 under the Lanham Act. *See* Compl. at ¶ 27. However, the Court must exclude from any
 calculation of attorney’s fees those related to Little Genie’s Copyright Act claim, as Little
 Genie’s failure to timely register its copyright precludes it from recovering attorney’s fees under
 the Copyright Act. *See* 17 U.S.C. § 412; *Derek Andrew*, 529 F.3d at 701-02.

1 The Court first considers the request for attorney's fees by former counsel Jason Rhodes
2 for work performed by the JMR Law Group. Mr. Rhodes requests an award of \$30,000 in
3 attorney's fees for 70 hours spent preparing for and working on the case: 36 hours at \$400/hour
4 by Rhodes, 34 hours at \$300/hour by co-counsel, and 36 hours at \$150/hour by a paralegal. *See*
5 Dkt. # 21-3. In its prior Order setting an evidentiary hearing (Dkt. # 22), the Court determined
6 that Mr. Rhodes had failed to provide the requisite evidence to support his request, including
7 through documentation of tasks performed to allow the Court to assess its reasonableness. *See*
8 LCR 55(b)(2)(C). At the evidentiary hearing, Mr. Nelson provided evidence of certain tasks
9 performed by Mr. Rhodes, specifically several subpoenas prepared by him in order to elicit
10 information on the sales of the infringing PHSI games by suppliers. *See* Hearing Exs. 7-17. As
the evidence garnered through these subpoenas was used to simultaneously establish PHSI's
liability under both the Lanham Act and Copyright Act, the Court finds that an award of
attorney's fees incurred in preparing them is available under 15 U.S.C. § 1117(a)(3).

11 Nonetheless, the Court is unable to determine how many of the stated hours Mr. Rhodes
12 spent preparing these subpoenas and must abide by its mandate to separate out hours spent
13 preparing Little Genie's principal claim for damages under the Copyright Act. The Court in its
14 discretion finds 18 hours, or one-half of the total hours spent by Mr. Rhodes, to have been a
15 reasonable amount of time devoted by Mr. Rhodes to prepare Little Genie's Lanham Act claim.
16 The Court accordingly awards attorney's fees in the amount of \$7,200 for the 18 hours spent by
17 Mr. Rhodes at the reasonable rate of \$400/hour, which the Court finds to be a reasonable
18 expenditure incurred in preparation of Little Genie's Lanham Act claim. The Court declines to
19 award Mr. Rhodes' request for fees for the 34 hours of work by co-counsel and 36 hours of work
20 by a paralegal, as counsel has failed to provide documentation, either through declaration or at
the evidentiary hearing, of tasks performed by these individuals to enable the Court to assess the
reasonableness of the requested award. Without this documentation, the Court is also unable to
perform the requisite assessment as to whether these hours were spent preparing Little Genie's
Lanham Act claim or its damages request under the Copyright Act.

21 Little Genie further requests an award of \$7,281 for the 18.20 hours incurred at
22 \$420/hour by current counsel John R. Nelson to support Little Genie's damages request and
23 attorney's fees award. Mr. Nelson has provided documentation of tasks performed as required
24 by LCR 55(b)(2)(C). *See* Dkt. # 30, Ex. A. Several of the hours incurred by Mr. Nelson were

1 spent preparing for the withdrawal and substitution of counsel and to continue the evidentiary
2 hearing, tasks that were clearly unrelated to Little Genie's Lanham Act claim and which must
3 therefore be excluded from an award under 17 U.S.C. § 412(2). Counsel also requests fees for
4 16.8 hours spent reviewing pleading and materials to prepare for the evidentiary hearing,
5 presenting at the hearing itself, and responding to the Court's inquiry regarding damages
6 entitlement. About half of this time appears to have been incurred preparing for Little Genie's
7 request for damages under the Copyright Act and is therefore unavailable under 17 U.S.C. § 412.
8 The Court finds that approximately one half of counsel's time was spent preparing for the
9 attorney's fees requests and for Little Genie's Lanham Act claim. The Court accordingly awards
10 attorney's fees in the amount of \$3,528 for 8.4 hours of work performed by Mr. Nelson, which it
11 finds to be reasonably related to Little Genie's Lanham Act claim. The Court therefore finds that
12 Little Genie is entitled to a total of \$10,728 in attorney's fees.

13 Conclusion

14 For the reasons stated herein, the Court GRANTS in part Little Genie's Motion for
15 Default Judgment (Dkt. # 21). The Court awards Little Genie actual damages for copyright
16 infringement under 17 U.S.C. § 504(b) in the amount of \$53,169. The Court further awards Little
17 Genie attorney's fees in the amount of \$10,728, which it finds to be reasonably related to Little
18 Genie's Lanham Act claim and allowed under 15 U.S.C. § 1117(a)(3) and 17 U.S.C. § 412. The
19 Court instructs Little Genie to file a motion for prejudgment interest stating and substantiating
20 the date of accrual of Little Genie's copyright claim should it wish to pursue an award of
21 prejudgment interest at the statutory rate on its damages award.

22 The Court additionally enters the following permanent injunction enjoining PHSI from
23 engaging in further infringing conduct.

24 Permanent Injunction

The Court permanently ENJOINS PHSI, Inc. from any further manufacture, sale or
distribution of the infringing romance games "Playground" or "Heart 2 Heart," or any other
game deceptively similar to Little Genie's Passion Throw Games, and further directs PHSI Inc.
to deliver to the Sheriff of Maricopa County, Arizona, all such games and marketing materials
for destruction.

Order to Show Cause

The Court further ORDERS Plaintiff to show cause within ten (10) days of the entry of this Order why this action should not be dismissed without prejudice against Defendants James H. Horne and Jane Doe Horne for failure to serve summons within the 120 day period provided by Federal Rule of Civil Procedure 4(m).

DATED this 2 day of July 2014.



RICARDO S. MARTINEZ
UNITED STATES DISTRICT JUDGE